

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 03-31	2. STATE: <u>2</u> Minnesota
FOR: HEALTH CARE FINANCING ADMINISTRATION		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE July 1, 200 <u>3</u>	
5. TYPE OF PLAN MATERIAL (Check One):			
<input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION 42 CFR §§430.20(b)(3), 447.252		7. FEDERAL BUDGET IMPACT: a. FFY '03 (\$3,000) b. FFY '04 (\$15,000)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Att. 4.19-D (State-owned NF), pp. 201-202 Att. 4.19-D (Tribally-owned or Operated NF), pp. 401-409		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Att. 4.19-D (State-owned NF), pp. 201-202 Att. 4.19-D (Tribally-owned or Operated NF), pp. 401-408	
10. SUBJECT OF AMENDMENT: Methods and Standards for Determining Payment Rates for Nursing Facility Services Provided in State-Owned Facilities and Facilities Owned or Operated by a Tribe or Tribal Organization			
11. GOVERNOR'S REVIEW (Check One):			
<input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED:			
<input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED			
<input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			

Change to box 4 made per state agreement to change
effective date of 9/1. 04/23/04

12. SIGNATURE OF STATE AGENCY OFFICIAL:

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15. DATE SUBMITTED: September 29, 2003

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

SEP 30 2003

18. DATE APPROVED:

APR 23 2004

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL - 1 2003

20. SIGNATURE OF REGIONAL OFFICIAL:

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Charlene Brown

22. TITLE:

Deputy Director, CMSO

23. REMARKS:

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ATTACHMENT 4.19-D
Page 201
State-Owned NF

**METHODS AND STANDARDS FOR DETERMINING PAYMENT RATES
FOR NURSING FACILITY SERVICES PROVIDED IN
STATE-OWNED FACILITIES**

PURPOSE AND SCOPE:

This plan describes the methods and standards for determining payment rates for nursing facility (NF) services provided in State-owned facilities.

In general, per diem payment rates are determined annually on an interim basis with final settlement occurring after each State fiscal year.

METHODOLOGY:

Payment rates for State-owned nursing facilities are determined annually on a cost-related basis using Medicare principles of cost reimbursement as specified in *Provider Reimbursement Manual* - HCFA 15, parts I and II, with the following exceptions. Interim payments are made prior to the settle-up to final, cost-based rate after the close of the State fiscal year.

Interim rates are calculated on a per diem basis for each state fiscal year (July 1 to June 30) for individual each State-owned nursing homes home by dividing the sum of allowable anticipated costs by the projected patient days. Allowable anticipated costs are calculated using the Medicare principles of cost reimbursement prior to the change to prospective payment on October 1, 2001, using the same methodology described below for final rates, against projected costs for the current State fiscal year. The interim rate shall not exceed the final rate for the previous State fiscal year.

Anticipated costs include salaries, current expenses (fuel, utilities, food, drugs, and other expenses), repairs and betterments, depreciation of buildings and equipment, building bond interest, other capital requirements, and other expenses related to patient care, such as central office support (program supervisory staff), collections administration, other indirect costs (department personnel, medical director, information systems, and program analysis), and statewide support costs (central payroll, statewide personnel), and other State agency support to State facilities. Projected patient days are determined from population estimates, based upon actual patient days and trends shown from prior years.

STATE: MINNESOTA

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Supersedes: 95-25 (90-15/89-54)

ATTACHMENT 4.19-D

Page 202

State-Owned NF

~~The per diem limits calculated under the Medicare principles of reimbursement are evaluated under Section 1861 (v)(1) which methodology is set out in Medicare Reimbursement Manual, HCFA 15-I, Section 2828. This calculation, as provided by the Medicare intermediary, establishes the routine service cost limit.~~

~~To arrive at the interim Medicaid per diem rate, the Medicare routine service limit is modified by adding to it the projected ancillary service costs, physician service costs, property related costs, and other costs not subject to the routine service limit.~~

The final rates are rate is determined by dividing the total routine service costs subject to the limitation by the patient days. The net allowable routine costs are added to the capital, ancillary, professional and other costs not subject to the limit. The sum of the allowable routine service costs and the cost not subject to the limit are divided by patient days to arrive at the actual reimbursed costs as follows: The routine service cost limit is calculated using the Medicare principles of cost reimbursement in effect prior to the change to prospective payment on October 1, 2001, except that the State may use a reasonable estimate as a proxy for any indices or statistic formerly used in the Medicare cost reimbursement rate that is no longer published. The routine service cost limit is modified by adding to it the ancillary service costs, physician service costs, capital related costs, and other costs not subject to the routine service limit. The sum is then divided by the number of patient days.

STATE: MINNESOTA

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TN: 03-31

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ATTACHMENT 4.19-D

Page 401

Tribally-Owned or Operated NF

**METHODS AND STANDARDS FOR DETERMINING PAYMENT RATES
FOR NURSING FACILITY SERVICES PROVIDED IN NURSING FACILITIES
OWNED OR OPERATED BY A TRIBE OR TRIBAL ORGANIZATION**

INDEX

Section 1.000 Purpose and Scope

Section 2.000 Methodology

Section 3.000 Total Operating Payment Rate Adjustment

- 3.010 Nursing facility reimbursement beginning July 1, 1999
- 3.020 Nursing facility reimbursement beginning July 1, 2000
- 3.030 Nursing facility reimbursement beginning July 1, 2001
- 3.040 Nursing facility reimbursement beginning July 1, 2002
- 3.050 Nursing facility reimbursement beginning July 1, 2003
- 3.060 Nursing facility reimbursement beginning January 1, 2004

Section 4.000 Special Exceptions to the Payment Rate

- 4.010 Contracts for services for ventilator-dependent persons
- 4.020 Employee scholarship costs and training in English as a second language (ESL)

STATE: MINNESOTA

Effective: July 1, 2001

TN: 03-31

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ATTACHMENT 4.19-D

Page 402

Tribally-Owned or Operated NF

**METHODS AND STANDARDS FOR DETERMINING PAYMENT RATES
FOR NURSING FACILITY SERVICES PROVIDED IN NURSING FACILITIES
OWNED OR OPERATED BY A TRIBE OR TRIBAL ORGANIZATION**

SECTION 1.000 PURPOSE AND SCOPE

This plan describes the methods and standards for determining payment rates for nursing facility (NF) services provided in facilities owned or operated by a tribe or tribal organization.

In general, per diem payment rates are determined annually on an interim basis with final settlement occurring after each ~~State~~ federal fiscal year.

SECTION 2.000 METHODOLOGY

Medicare Principles

~~Payment rates are determined in accordance with Medicare principles and are established by the Medicare intermediaries, with the adjustments described in Section 3.000.~~

Payment rates are determined annually on a cost-related basis using Medicare principles of cost reimbursement. Interim payments are made prior to the settle-up to final, cost-based rate after the close of the previous federal fiscal year.

Interim rates are calculated on a per diem basis for each State fiscal year (July 1 to June 30) for individual nursing homes by dividing the sum of allowable anticipated costs by the projected patient days. Allowable anticipated costs are calculated using the Medicare principles of cost reimbursement prior to the change to prospective payment on October 1, 2001, using the same methodology described below for final rates, against projected costs for the current State fiscal year. The interim rate shall not exceed the final rate for the previous State fiscal year.

The final rate is determined as follows: The routine service cost limit is calculated using the Medicare principles of cost reimbursement in effect prior to the change to prospective payment on October 1, 2001, except that the State may use a reasonable estimate as a proxy for any indices or statistic formerly used in the Medicare cost reimbursement rate that is no longer published. The routine service cost limit is modified by adding to it the ancillary service costs, physician service costs, capital related costs, and other costs not subject to the routing service limit. The sum is then divided by the number of patient days.

SECTION 3.000 TOTAL OPERATING PAYMENT RATE ADJUSTMENT

SECTION 3.010 Nursing facility reimbursement beginning July 1, 1999.

For the rate year beginning July 1, 1999, the Department will make an adjustment to the total operating payment rate for a nursing facility that submits a plan, approved by the Department, in accordance with item B. Total operating costs will be separated into compensation-related costs and all other costs. Compensation-related costs include salaries, payroll taxes, and fringe benefits for all employees except management fees, the administrator, and central office staff.

A. Effective July 1, 1999, the payment rate is increased by 4.843 percent of compensation related costs and 3.446 percent of all other operating costs. The facility's final 1998 Medicare cost report will be used to calculate the adjustment. The interim rate may be adjusted after receipt of the final notice of program reimbursement from Medicare.

B. To receive the total operating payment rate adjustment, a nursing facility must apply to the Department. The application must contain a plan by which the nursing facility will distribute the compensation-related portion of the payment rate adjustment to employees of the nursing facility. For a nursing facility in which the employees are represented by an exclusive bargaining representative, an agreement negotiated and agreed to by the employer and the exclusive bargaining representative constitutes the plan.

1. The Department must review the plan to ensure that the payment rate adjustment per diem is used as provided in item A.

2. To be eligible, the nursing facility must submit its plan for the compensation distribution by December 31 each year. If the nursing facility's plan for compensation distribution is effective for its employees after July 1 of the year that the funds are available, the payment rate adjustment per diem shall be effective the same date as its plan.

C. For a nursing facility that reports salaries for registered nurses, licensed practical nurses, aides, orderlies, and attendants separately, the Department must determine the payment rate adjustment using the categories listed above multiplied by the rate increases in item A, and then dividing the resulting amount by the nursing facility's actual resident days.

For a nursing facility that does not report salaries for registered nurses, licensed practical nurses, aides, orderlies, and attendants separately, the payment rate adjustment will be computed using the nursing facility's total operating costs, separated into the categories listed above in proportion to the weighted average of all nursing facilities determined under the preceding paragraph, multiplied by the rate increases in item A, and then dividing the resulting amount by the nursing facility's

STATE: MINNESOTA
Effective: July 1, 2001
TN: 03-31
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Supersedes: 01-11 (99-19)

ATTACHMENT 4.19-D
Page 404
Tribally-Owned or Operated NF

actual resident days.

SECTION 3.020 Nursing facility reimbursement beginning July 1, 2000.

For the rate year beginning July 1, 2000, the Department will make an adjustment to the total operating payment rate for a nursing facility that submits a plan, approved by the Department, in accordance with item B. Total operating costs will be separated into compensation-related costs and all other costs. Compensation-related costs include salaries, payroll taxes, and fringe benefits for all employees except management fees, the administrator, and central office staff.

A. Effective July 1, 2000, the payment rate is increased by 3.632 percent of compensation related and 2.585 percent of all other operating costs. The nursing facility's 1999 Medicare cost report will be used to calculate the adjustment. The interim rate may be adjusted after receipt of the final notice of program reimbursement from Medicare.

B. To receive the total operating payment rate adjustment, a nursing facility must apply to the Department. The application must contain a plan by which the nursing facility will distribute the compensation-related portion of the payment rate adjustment to employees of the nursing facility. For a nursing facility in which the employees are represented by an exclusive bargaining representative, an agreement negotiated and agreed to by the employer and the exclusive bargaining representative constitutes the plan.

1. The Department must review the plan to ensure that the payment rate adjustment per diem is used as provided in item A.

2. To be eligible, the nursing facility may amend its plan by submitting a revised plan by December 31, 2000. If the nursing facility's plan for compensation distribution is effective for its employees after July 1 of the year that the funds are available, the payment rate adjustment per diem shall be effective the same date as its plan.

C. For a nursing facility that reports salaries for registered nurses, licensed practical nurses, aides, orderlies, and attendants separately, the Department must determine the payment rate adjustment using the categories listed above multiplied by the rate increases in item A, and then dividing the resulting amount by the nursing facility's actual resident days.

For a nursing facility that does not report salaries for registered nurses, licensed practical nurses, aides, orderlies, and attendants separately, the payment rate adjustment will be computed using the nursing facility's total operating costs, separated into the categories listed above in proportion to the weighted average of all nursing facilities determined under the preceding paragraph, multiplied by the rate increases in item A, and then dividing the resulting amount by the nursing facility's

STATE: MINNESOTA

Effective: July 1, 2001

TN: 03-31

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Supersedes: 01-11 (99-19)

ATTACHMENT 4.19-D

Page 405

Tribally-Owned or Operated NF

actual resident days.

SECTION 3.030 Nursing facility reimbursement beginning July 1, 2001.

A. For the rate year beginning July 1, 2001, the Department will make an adjustment equal to 3.0 percent of the total operating payment rate. The facility's final 2000 Medicare cost report will be used to calculate the adjustment.

B. For the rate year beginning July 1, 2001, and for admissions occurring on or after that date, the total payment rate for the first 90 paid days after admission is:

1. For the first 30 paid days, 120 percent of the facility's medical assistance per diem rate; and

2. For the next 60 paid days after the first 30 paid days, 110 percent of the facility's medical assistance per diem rate.

C. For the rate year beginning July 1, 2001, and for admissions occurring on or after July 1, 2001, beginning with the 91st paid day after admission, the payment rate is the rate otherwise determined under this Attachment.

D. Payments under item B apply to admissions occurring on or after July 1, 2001, and before July 1, 2003, and to resident days occurring before July 30, 2003.

E. For the rate year beginning July 1, 2001, two-thirds of the money resulting from the rate adjustment under item A and one-half of the money resulting from the rate adjustment under items B and C must be used to increase the wages and benefits and pay associated costs of all employees except management fees, the administrator, and central office staff.

1. Money received by a facility resulting from the rate adjustments under items A through C must be used only for wage and benefit increases implemented on or after July 1, 2001.

2. A facility may apply for the portions of the rate adjustments under this item. The application must be made to the Department and contain a plan by which the facility will distribute the funds to its employees. For a facility in which the employees are represented by an exclusive bargaining representative, an agreement negotiated and agreed to by the employer and the exclusive bargaining representative constitutes the plan, if the agreement is finalized after June 30, 2001.

(a) The Department will review the plan to ensure that the rate adjustments are used as required in this item.

(b) To be eligible, a facility must submit its plan for the wage and benefit distribution by December 31, 2001. If a facility's plan for wage and benefit distribution is effective for its employees after July 1, 2001, the portion of the rate adjustments are effective the same date as its plan.

E. Upon the request of the facility, the Department may authorize the facility to raise the per diem rates for private pay residents on July 1, 2001, by the amount anticipated to be required upon implementation of the rate adjustments allowable under items A through C. Until the rate is finalized, the Department will require any amounts collected, which must be used as provide in this item, to be placed in an escrow account established for this purpose with a financial institution that provides deposit insurance. The Department will conduct audits as necessary to ensure that:

1. The amounts collected are retained in escrow until rates are increased to reflect the wage-related adjustment; and
2. Any amounts collected from private-pay residents in excess of the final rates are repaid to the private-pay residents with interest.

SECTION 3.040 Changes to nursing facility reimbursement beginning July 1, 2002.

A. For the rate year beginning July 1, 2002, the Department will make an adjustment equal to 3.0 percent of the total operating payment rate. The facility's final 2001 Medicare cost report will be used to calculate the adjustment.

B. For rate years beginning on or after July 1, 2002, and for admissions occurring on or after that date, the total payment rate for the first 90 paid days after admission is:

1. For the first 30 paid days, 120 percent of the facility's medical assistance rate for each case mix class; and
2. For the next 60 paid days after the first 30 paid days, 110 percent of the facility's medical assistance rate for each case mix class.

C. For rate years beginning on or after July 1, 2002, and for admissions occurring on or after July 1, 2002, beginning with the 91st paid day after admission, the payment rate is the rate otherwise determined under this Attachment.

D. For the rate year beginning July 1, 2002, two-thirds of the money resulting from the rate adjustment under item A and one-half of the money resulting from the rate adjustment under items B and C must be used to increase the wages and benefits and pay associated costs of all employees except management fees, the administrator, and central office staff.

1. Money received by a facility resulting from the rate adjustments under items A through C must be used only for wage and benefit increases implemented on or after July 1, 2002.

2. A facility may apply for the portions of the rate adjustments under this item. The application must be made to the Department and contain a plan by which the facility will distribute the funds to its employees. For a facility in which the employees are represented by an exclusive bargaining representative, an agreement negotiated and agreed to by the employer and the exclusive bargaining representative constitutes the plan, if the agreement is finalized after June 30, 2001.

(a) The Department will review the plan to ensure that the rate adjustments are used as required in this item.

(b) To be eligible, a facility must submit its plan for the wage and benefit distribution by December 31, 2002. If a facility's plan for wage and benefit distribution is effective for its employees after July 1, 2002, the portion of the rate adjustments are effective the same date as its plan.

E. Upon the request of the facility, the Department may authorize the facility to raise the per diem rates for private pay residents on July 1, 2002, by the amount anticipated to be required upon implementation of the rate adjustments allowable under items A through C. Until the rate is finalized, the Department will require any amounts collected, which must be used as provide in this item, to be placed in an escrow account established for this purpose with a financial institution that provides deposit insurance. The Department will conduct audits as necessary to ensure that:

1. The amounts collected are retained in escrow until rates are increased to reflect the wage-related adjustment; and

STATE: MINNESOTA

Effective: July 1, 2001

TN: 03-31

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Supersedes: 01-11 (99-19)

ATTACHMENT 4.19-D

Page 408

Tribally-Owned or Operated NF

2. Any amounts collected from private-pay residents in excess of the final rates are repaid to the private-pay residents with interest.

SECTION 3.050 Nursing facility reimbursement beginning July 1, 2003.

For rate years beginning on or after July 1, 2003 and for admissions occurring on or after July 1, 2003, the total payment rate is:

A. for the first 30 calendar days after admission, 120 percent of the facility's medical assistance rate; and

B. beginning with the 31st calendar day after admission, the rate otherwise determined under this Attachment.

SECTION 3.060 Nursing facility reimbursement beginning January 1, 2004. Effective January 1, 2004, the rates under Section 3.050, item A are not allowed if a resident has resided during the previous 30 calendar days in:

- (1) the same facility;
- (2) a facility owned or operated by a related party; or
- (3) a facility or part of a facility that closed.

SECTION 4.000 SPECIAL EXCEPTIONS TO THE PAYMENT RATE

SECTION 4.010 Contracts for services for ventilator-dependent persons. A nursing facility may receive a negotiated payment rate to provide services to a ventilator-dependent person if:

A. Nursing facility care has been recommended for the person by a long-term care consultation team.

B. The person has been hospitalized and no longer requires inpatient acute care hospital services.

C. Necessary services for the person cannot be provided under existing nursing facility rates.

STATE: MINNESOTA

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Supersedes: 01-11 (99-19)

ATTACHMENT 4.19-D

Page 409

Tribally-Owned or Operated NF

A negotiated adjustment to the operating cost payment rate for a nursing facility must reflect only the additional cost of meeting the specialized care needs of a ventilator-dependent person. For persons who are initially admitted to a nursing facility before July 1, 2001, and have their payment rate negotiated after July 1, 2001, the negotiated payment rate must not exceed 200 percent of the highest multiple bedroom rate for a case mix classification K. For persons initially admitted to a facility on or after July 1, 2001, the negotiated payment rate must not exceed 300 percent of the highest multiple bedroom rate for a case mix classification K at that facility.

SECTION 4.020 Employee scholarship costs and training in English as a second language (ESL).

A. For the rate years beginning July 1, 2001 and July 1, 2002, the Department will provide to each nursing facility a scholarship per diem of .25 to the total operating payment rate to be used for employee scholarships and to provide job-related training in ESL.

B. For rate years beginning on or after July 1, 2003, the .25 scholarship per diem is removed from the total operating payment rate, and the scholarship per diem is based on actual costs. In calculating the per diem, only costs related to tuition and direct educational expenses are permitted.